

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**DEPARTMENT OF EMPLOYMENT SERVICES
AUDIT OF DISABILITY COMPENSATION
OVERPAYMENTS**

**E. BARRETT PRETTYMAN, JR.
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA




OFFICE OF THE INSPECTOR GENERAL

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MEMORANDUM

TO: Gregory P. Irish, Director
Department of Employment Services

FROM: E. Barrett Prettyman, Jr. 
Inspector General

DATE: March 3, 1999

SUBJECT: Final Report "Audit of the Department of Employment Services Audit of Disability Compensation Overpayments" (OIG No. 9812-20)

Attached is the final report by the Office of the Inspector General entitled, "Audit of the Department of Employment Services Disability Compensation Overpayments" (OIG No. 9812-20).

Our review noted about \$2.1 million in disability benefit overpayments to current and former District employees over a 20-year period. As of March 31, 1998, \$1.2 million of the overpayments were still outstanding. Included in this amount were 205 delinquent accounts, totaling \$604,000, which have been designated as uncollectible. The age of the delinquent accounts ranged from 4 to 20 years.

Our review showed that DOES did not: (1) make a concerted effort to collect overpayments; (2) maintain adequate and required records regarding accounts receivable; and (3) comply with its own write-off policies regarding delinquent accounts. As a result, the District forfeited monies that could have been used for other needed purposes.

In addition, there was a lack of communication regarding the status of the disabled employees between DOES and (1) disabled District employees, (2) the employees' supervisors, (3) the District Government agencies and (4) the Federal Government's Office of Personnel Management.

We recommended that DOES: (1) analyze the overpayments to determine the amounts that are collectible and make a concerted effort to collect them; (2) maintain adequate records to capture data on receivable transactions; and (3) follow its policies regarding the write-off of uncollectible receivables. In addition, DOES should establish procedures requiring coordination between DOES and the D.C. agencies employing the claimants, the District Office of Pay and Retirement, and the Federal Government's Office of Personnel Management.

Gregory P. Irish, Director, DOES
March 3, 1999
OIG No. 9812-20
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DOES responded to our report by concurring with all but two of our recommendations: One recommendation that DOES did not concur with had to do with integrating the Disability Compensation Payroll (DCP) with the District's new Comprehensive Automated Personnel Payroll System (CAPPS). The response indicated that DOES was not sure when CAPPS would be able to accommodate the DCP. We believe that once it is determined that CAPPS can accommodate the DCP, the payrolls should be integrated. The other recommendation was for DOES to communicate with claimants once a week and to document the communication. DOES suggested that once a week would be burdensome and suggested that communications occur monthly or quarterly. We agree that monthly communications would satisfy the intent of our recommendation.

The OIG will perform follow up review within 4 to 6 months to determine that corrective action has been taken on all recommendations.

Should you have any questions on this report or need additional information, please contact me at the above number or John N. Balakos, Assistant Inspector General for Audits, at 727-9749.

Attachment

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**DEPARTMENT OF EMPLOYMENT SERVICES
AUDIT OF DISABILITY COMPENSATION
OVERPAYMENTS**

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**DEPARTMENT OF EMPLOYMENT SERVICES
AUDIT OF DISABILITY COMPENSATION OVERPAYMENTS**

I. INTRODUCTION AND PURPOSE

The Office of the Inspector General (OIG) has conducted an audit of disability compensation overpayments by the Department of Employment Services (DOES). DOES pays benefits to employees injured on the job, or to beneficiaries of deceased employees whose demise was job-related. Overpayments occur when the benefit payments exceed the amounts to which employees are entitled, resulting in unnecessary costs to the District of Columbia (D.C.) Government.

This audit was performed to (1) determine the reasons that disability compensation overpayments occurred, and (2) assess the effectiveness of collection efforts by DOES and the actions it has taken to eliminate or minimize overpayments. The audit also assessed the reasonableness of the allowance for uncollectible and waived accounts receivable as of March 31, 1998.

Our audit showed that DOES paid \$2.1 million in disability benefit overpayments to current and former District employees over a 20-year period. As of March 31, 1998, \$1.2 million of the overpayments were still outstanding. Included in this amount were 205 delinquent accounts, totaling \$604,000, which have been designated as uncollectible. The age of the delinquent accounts ranged from 4 to 20 years.

DOES has not: (1) made a concerted effort to collect overpayments; (2) maintained adequate and required records regarding accounts receivable; and (3) complied with its own write-off policies regarding delinquent accounts. As a result, the District has forfeited monies that could have been used for other needed purposes.

In addition, there was a lack of communication regarding the status of the disabled employees between DOES and (1) disabled District employees, (2) the employees' supervisors, (3) the District Government agencies employing the claimants, (4) the District's Office of Pay and Retirement, and (5) the Federal Government's Office of Personnel Management (OPM).

We recommended that DOES: (1) analyze the overpayments to determine the amounts that are collectible and make a concerted effort to collect them; (2) maintain adequate records to capture data on receivables transactions; and (3) follow its policies regarding the write-off of uncollectible receivables. In addition, DOES should establish procedures requiring coordination between

DOES and the D.C. agencies employing the claimants, the District's Office of Pay and Retirement, and OPM.

DOES responded to our report by concurring with all but two of our recommendations: One recommendation that DOES did not concur with had to do with integrating the disability compensation payroll (DCP) with the District's new Comprehensive Automated Personnel Payroll System (CAPPS). The response indicated that DOES was not sure when CAPPS would be able to accommodate the DCP. We believe that once it is determined that CAPPS can accommodate the DCP, the payrolls should be integrated. The other recommendation was for DOES to communicate with claimants once a week and to document the communication. DOES suggested that once a week would be burdensome and suggested that communications occur monthly or quarterly. We agree that monthly communications would satisfy the intent of our recommendation.

II. BACKGROUND

The D.C. Disability Compensation Fund (DCF) was established by the District, a self-insured employer, under the D.C. Merit Personnel Act (D.C. Law 2-139) to receive, adjudicate, and compensate, as appropriate, all claims resulting from District government employees injured or killed on the job. The DCF budget for fiscal year 1997 was \$23.2 million, with actual expenditures of \$22.8 million. Of this amount, \$18.6 million was paid to beneficiaries. The budget for fiscal year 1998 was \$18.4 million, with actual expenditures of \$19.2 million paid to beneficiaries. The DCF overspent its budget by approximately \$721 thousand for fiscal year 1998 and had to request a reprogramming of funds from other agency budgets.

The DOES has a policy associated with the DCF that if overpayments are made to beneficiaries, an administrative off-set/waiver can be made from the weekly or bi-weekly payroll. This is where an employee's or beneficiary's pay can be offset over a period of time by the amount of the overpayment. An off-set for overpayments in the amount of \$233,000 was made in fiscal year 1998.

Within DOES, the Office of Labor Standards administers the DCF for District Government employees who have suffered on the job injuries or accidental death. This includes paying compensation for lost wages, scheduled awards, medical care services, and vocational rehabilitation for injured employees, and survivors' compensation to beneficiaries of deceased employees. Excepted are those employees of the uniformed Metropolitan Police and Fire Departments, who are under another program. Presently, a Managed Care Organization delivers medical and related services, and a third party Administrator processes and adjudicates employee claims. Both functions are contracted out by DOES.

III. SCOPE AND METHODOLOGY

We obtained background information on the DOES organizational structure and budget submissions, and reviewed laws, rules and regulations and agency policies and procedures regarding DCF. In addition, we evaluated DOES rules and procedures for administering DCF as they relate to employee repayment agreements and debt offset guidelines for overpayments.

We assessed DOES procedures and guidelines for (1) promptly removing those employees who received overpayments illegally from the disability rolls and referring them for prosecution, and (2) placing limitations on initiation of repayment agreements. We obtained relevant documentation and evidence to determine the date the receivables were established, the dates that employees were notified, and enforcement action taken to repay the overpayment. We also determined the reasonableness of the allowance for uncollectible accounts receivable. We interviewed DOES officials, and reviewed Federal Government procedures for recovering disability compensation overpayments.

The audit covered the period October 1, 1996 through March 31, 1998. However, because the disability compensation accounts receivable as of March 31, 1998 dated back to 1978, some of our work and analysis extended beyond our audit period. We also updated some of the information to September 30, 1998. The audit was conducted in accordance with generally accepted government auditing standards and included such tests as considered necessary in the circumstances.

IV. FINDINGS AND RECOMMENDATIONS

DOES Overpaid Approximately \$2.1 Million in Disability Claims

DOES overpaid approximately \$2.1 million in worker's compensation claims over the past 20 years. (See Exhibit A.) The overpayments involved 540 claimants. These overpayments occurred because: (1) employees did not notify their agencies when they continued to receive disability payments after returning to work; (2) supervisors failed to follow prescribed procedures and to notify DOES when formerly disabled employees returned to work; (3) employees were paid at incorrect rates; and (4) there was a lack of communication between DOES and the Federal Government's OPM. This last situation resulted in the employees receiving double payments of disability benefits. In addition, DOES did not periodically follow up with employees' agencies to determine the employees' disability status when such information from the affected agencies was not forthcoming. As a result of the overpayments, funds were not available for other District expenditure needs, and resources had to be devoted to collection efforts and tracking of repayments.

DOES indicated that a shortage of staff and high turnover contributed to the above conditions. However, in our opinion DOES's lack of adequate internal procedures also contributed to the overpayments. Of the \$2.1 million in overpayments, \$250,000 occurred during the audit period, October 1996 through March 1998, and \$1.2 million remained outstanding as of March 31, 1998. (See Exhibit A.) Approximately \$0.6 million of the \$1.2 million will have to be written off as uncollectible. The remaining amount may or may not be collectible.

Regulations and policies regarding the disability compensation program are found in the D.C. Personnel Manual (DPM), the D.C. Municipal Regulations (DCMR) and internal DOES guidelines. DPM § 23, Section 2317.1 provides that "...in all cases reported to the Division, the official superior is required to notify the Division immediately when the employee returns to work or when the disability ceases...." Also, in regard to the status of the disability, DPM § 23, Section 2303.2, provides, "... the immediate superior of an employee shall make supplemental reports and the employee shall provide additional reports and information when required by the Division...." The term "Division" refers to the division within DOES handling DCF.

DOES personnel responsible for DCF did not request a supplemental report as required by DPM from the employee's supervisor. Therefore, in those instances when supervisors failed to inform DOES immediately when an employee returned to work, the employee was paid his/her salary along with the disability payment. At the time we inquired about the reports, we were told by DOES that the supervisor was no longer working at the agency. Officials at DOES, at the time of our review, informed us that the new supervisors were not familiar with the case or failed to complete the required forms. As a result, DOES was requesting and making fewer reports and calls.

Additionally, we noted that DOES had not requested that edit controls be placed against the social security numbers of employees receiving disability. By placing these edit controls in its system, DOES could flag dual payments for disability and regular pay. In these instances, the District's Office of Pay and Retirement can be notified if it is determined that employees are receiving dual compensation.

District employees who were on the rolls prior to 1987 have the option of receiving disability benefit payments from the District's DCF, or the Federal Government's Civil Service Benefits Program under a disability retirement. However, because there was no coordination between the District Government and OPM, the office that administers the Federal program, no detection was made of employees who elected to draw payments under both programs. Therefore, there was a lack of coordination and communication not only between the employing agency and DOES, and between the Office of Pay and Retirement and DOES, but also between the District and the Federal Government.

Recommendations

We recommended that the Director of DOES:

1. Implement edit controls to detect dual disability and payroll payments to disabled employees who return to work;
2. Immediately implement procedures in conjunction with OPM that will prevent the occurrence of dual disability payments by DOES and OPM to employees who are entitled to receive disability benefits from either agency;
3. Immediately implement procedures to notify the Office of Pay and Retirement that an employee is receiving disability compensation benefits in order to halt the distribution and/or processing of time and attendance sheets for the employee;
4. Immediately implement procedures, with the start-up of the Comprehensive Automated Personnel Payroll System (CAPPS), to integrate the DCF payroll with the Pay and Retirement payroll;
5. Implement procedures to ensure that program personnel exercise due professional care in obtaining all relevant information for computing claimants' benefits before requesting the computation of benefits from the Fiscal Division; and
6. Require program personnel to communicate with claimants once a week and document the communication.

Agency Response:

The agency concurred with the finding and recommendations with the exception of Recommendations four and six. For Recommendation four, the agency stated that it is not known whether the soon-to-be-implemented CAPPS will be able to accommodate the disability compensation payroll.

For Recommendation six, DOES stated that weekly communication with approximately 900 claimants would be burdensome and would be an inefficient use of time. Enhanced oversight can be effectively accomplished through quarterly or, if necessary, monthly communication. Discussions in regard to an appropriate procedure will be initiated by March 15, 1999 with the third party administrator and program staff.

OIG Response:

The DOES stated that the implementation phase for recommendations 1 through 3 will begin as of March 15, 1999, and recommendation 5 is in place and currently under review.

For recommendation 4, DOES should explore whether the DCF can be integrated into CAPPS. Once it is determined that such integration can occur, the DCF payroll should then be incorporated into CAPPS.

For recommendation 6, we believe that the Agency's proposed communication with claimants on a monthly basis will meet the intent of our recommendation.

The OIG will perform a follow-up audit in a period of 4 to 6 months to determine if corrective action is in place and is working.

No Concerted Effort to Collect Disability Compensation Overpayments

DOES did not make a concerted effort to collect disability compensation overpayments. As a result, DOES had disability compensation accounts receivable totaling over \$1.2 million as of March 31, 1998. These receivables dated back as far as 1978 and represented 57 percent of the \$2.1 million in overpayments since then. Hence, only \$.9 million or 43 percent of the overpayments had been collected.

There was a low collection rate for overpayments because DOES personnel did not follow prescribed procedures. However, we could not ascertain the reason the prescribed procedures for collections were not followed. Collection procedures included establishment of the debt, notification of the claimant, signing of payment agreements, offset of debt, etc.

DOES's Fiscal Division has internal procedures regarding the collection of overpayments. These procedures require that the claimant who received such overpayments be immediately notified by certified mail upon the establishment of the debt. Also, the internal control procedure manual states that when it is determined that a claimant will be making recovery through an installment plan, a payment agreement should be executed stating the amount and frequency of payments. In addition, the program manual encourages voluntary repayments by claimants receiving overpayments through payroll deductions, current compensation, or submission by cash.

We noted that DOES did not employ alternative procedures to locate and notify claimants receiving overpayments when certified notices were returned as undeliverable. The Fiscal Division internal control procedures for recovery of the overpayments state that when the certified notices are returned, alternative procedures, such as telephone directory, Haines Criss Cross Directory, tax

records, driver license records, credit bureaus, unemployment benefits files, and other agencies (local and federal) may be used to locate the claimants. Also, the procedures manual provides that payments that can not be collected through deductions "... shall be referred to the Office of General Counsel for possible legal actions...." The Fiscal Division could not give a reason for not following these procedures.

Recommendations

We recommended that the Director, DOES, take the necessary action to ensure that:

1. Existing internal DOES procedures regarding notification to claimants of overpayments are followed as prescribed;
2. Existing internal DOES procedures regarding follow-up notifications to claimants are employed when initial notification fails;
3. Debt-offset procedures are immediately employed when an employee returns to work and fails to make payment on the receivable;
4. Resources and efforts commensurate with overpayments are dedicated to collection efforts; and
5. Employees who knowingly accept dual payments for a prolonged period are referred to the Office of the Corporation Counsel for possible legal action.

Agency Response:

DOES concurred with the finding and recommendations. It stated that appropriate procedures will be applied and that it is very possible that the current procedures will need to be revised.

OIG Response:

The OIG accepts the DOES response. However, DOES did not state what would dictate the revision of current procedures. We will perform a follow-up review within 4 to 6 months to determine if appropriate procedures are in place.

Failure to Maintain Adequate and Required Accounts Receivable Records

DOES did not maintain a cash receipts journal for tracking accounts receivable and did not prepare monthly reports. As a result, DOES violated its own regulations, and failed to maintain the integrity of the accounts receivable. DOES staff could not give a reason for not maintaining the cash receipts journal.

Internal procedures in the Fiscal Division for recovery of overpayments state that "... in conjunction with efforts to collect overpayments, the Controller shall establish . . . a cash receipt journal...." The procedures also included the requirement that the Controller prepare monthly reports which "... shall contain information concerning balances, delinquencies, recommendations for acceleration of recovery, due to non-payment, and recommendations for premature termination of collection activity when it is determined that the District will not be able to enforce repayment...."

Because it did not maintain a cash receipt journal, DOES had no means of reconciling the cash receipt journal with the control ledger, or the control ledger with the subsidiary ledger. A lack of the proper reconciliations and the ensuing monthly reports resulted in accounts delinquent with no review and no recommendations to enforce collection. Conversely, accounts may have been paid in full, and the transactions may not be properly reflected in the control ledger.

Good internal controls require a process that provides reasonable assurance regarding the reliability of financial data. Therefore, transactions should be identified and captured in a timely manner to enable the responsible individuals to carry out their responsibilities. A cash receipt journal would have captured the receipt of payments and enabled DOES staff to do postings to the subsidiary and control ledgers and perform reconciliations of the records.

Recommendations

We recommended that the Director, DOES, take action to ensure that:

1. A cash receipts journal is maintained for the recordation of payments received on disability compensation overpayments; and
2. Reconciliations of the cash receipts journal, subsidiary ledger, and control ledger are performed monthly.

Agency Response:

DOES concurred with the finding and recommendations. It stated that a cash receipts journal was developed last month. The control ledger is currently under review to ensure accuracy of receivable balances. Due to an early out retirement and a vacancy in a key senior management position, the review is scheduled for completion by May 1, 1999.

OIG Response:

We concur in the DOES response.

Failure to Comply With Policies for Writing Off Uncollectible Receivables

DOES has not written off disability compensation accounts which meet the agency's criteria for being classified as uncollectible. As a result, there are 205 delinquent accounts that are from 4 to 20 years old and which have been determined uncollectible but remain on the books. These accounts total \$604,000 (see Exhibit B) and represent nearly 50% of the outstanding receivables. Furthermore, these accounts comprise the allowance for uncollectibles, which appear on DOES's books. DOES personnel told us that the accounts identified as uncollectible were delinquent for over four years because the claimants or former employees of the District Government could not be located.

The "Procedures for Recovery of Disability Compensation Overpayments" manual of the Fiscal Division of DOES lists the following as reasons for write-off or termination of collection activity:

- 1) the claimant's present and projected income cannot satisfy the debt,
- 2) the claimant cannot be located,
- 3) the statute of limitations (if applicable) has been reached,
- 4) the claim has been referred to the Office of the Corporation Counsel, or
- 5) the claimant is deceased.

In addition, a DOES administrative issuance states that accounts four years and older may be written off.

DOES staff informed us that no accounts had actually been written off. If there was no payment activity in an account for several years, the account folder was placed in an "inactive bin." However, by keeping these receivables on the books, DOES is maintaining assets on its records that have no value.

We reviewed a sample of the receivables that comprised the allowance for uncollectible accounts and noted that none was supported by any written determination. For the selected sample, our analysis indicated that all the accounts, with the exception of one, met the criteria that allowed accounts that were delinquent for at least four years to be recommended for write-off. Another account that we reviewed was that of a deceased claimant where there was no chance of the overpayments being recovered. DOES could not tell us the reason the account had not been written off.

We noted that DOES has an off-set policy for employees who may become eligible for Civil Service Benefits or are still employed by the District Government. According to DOES, if the employee is overpaid, the overpayment can be off-set from the employee's daily or bi-weekly pay. A total amount of \$233,000 has been off-set via payroll for fiscal year 1998.

A provision in the internal procedures guide provides: "... when a decision to make an administrative off-set/waiver has been affirmed, the necessary action should be taken to notify OPM, in order that it may 'flag' the account . . . when the claimant/debtor becomes eligible for Civil Service Benefits...." By not following proper write-off procedures, DOES missed opportunities to have the overpayments collected by OPM when the claimant qualified for Civil Service benefits.

In fiscal year 1997, one account was waived by DOES. We noted that there were no written requests for waiver nor any written documentation to support the waiver. Also, we noted that no alert letter was sent to OPM. We were informed that instructions to waive the account were given verbally by either the Director or the Controller of the Agency, and no explanation was given for not alerting OPM.

Recommendation

We recommended that the Director, DOES, take the necessary action to ensure that:

1. Internal procedures are followed in writing off delinquent accounts.
2. Internal procedures are followed to notify OPM when a decision is reached to make an administrative off-set/waiver.

Agency Response:

DOES concurred with the finding and recommendations.

It maintained that collection activity, including the write-off of uncollectible accounts, is a program responsibility. The agency felt that the Fiscal Division should maintain the accounts receivable ledger and may assist in the determination of write-offs by aging the receivables. However, the Fiscal Division should not be simultaneously maintaining the records, collecting repayments, and writing off accounts.

DOES stated that the write-off procedures cited in the draft report were never formally issued or adopted and the agency does not have legal authority to forgive debt.

It is the DOES's opinion that the existing write-off procedures should not be formally issued. The Director will delegate the write-off authority to the Fiscal Division, if such is necessary.

OIG Response:

We concur in the DOES response. However, the agency did not respond as to when recommendations would be implemented. The OIG will perform a follow-up audit in a period of 4 to 6 months to determine if corrective action has been taken.

DEPARTMENT OF EMPLOYMENT SERVICES
OFFICE OF DISABILITY COMPENSATION
AGING OF ACCOUNTS RECEIVABLE

AS OF MARCH 31, 1998

EXHIBIT A

NO. OF ACCOUNTS	OVER- PAYMENT	PENALTY	REPAYMENT	OFFSET	WAIVER	WRITE-OFF	BALANCE	YEAR
3	8,765.95	0.00	0.00	1,961.85	0.00	0.00	6,804.10	1998
41	239,476.63	0.00	3,948.50	17,336.73	0.00	0.00	218,191.40	1997
37	142,009.80	0.00	5,340.68	38,098.92	0.00	0.00	98,570.20	1996
45	157,851.82	0.00	1,923.56	30,102.33	0.00	0.00	125,825.93	1995
34	168,430.24	0.00	7,455.35	58,994.46	0.00	0.00	101,980.43	1994
23	84,212.98	0.00	3,179.16	23,626.80	0.00	0.00	57,407.02	1993
46	157,481.62	0.00	4,623.91	23,793.35	0.00	0.00	129,064.36	1992
31	38,647.37	0.00	8,462.80	12,312.23	0.00	0.00	17,872.34	1991
25	78,879.09	0.00	12,746.69	37,990.79	0.00	0.00	28,141.61	1990
44	102,125.04	125.00	19,715.03	40,384.29	0.00	0.00	41,775.72	1989
58	316,151.14	0.00	59,339.33	79,867.63	0.00	0.00	176,944.18	1988
41	156,587.69	0.00	48,086.89	65,364.30	0.00	0.00	43,136.50	1987
24	123,548.26	0.00	26,836.21	30,920.23	0.00	0.00	65,791.82	1986
36	116,188.60	0.00	32,536.86	35,206.83	0.00	0.00	48,444.91	1985
28	88,988.89	0.00	19,773.88	38,390.86	0.00	0.00	30,824.15	1984
10	53,825.20	0.00	24,232.17	3,221.81	0.00	0.00	26,371.22	1983
8	48,444.71	0.00	35,195.34	11,667.11	0.00	0.00	1,582.26	1982
3	14,571.15	0.00	1,800.00	11,943.96	0.00	0.00	827.19	1981
1	314.04	0.00	0.00	314.04	0.00	0.00	0.00	1980
2	7,413.68	0.00	4,390.96	1,235.72	0.00	0.00	1,787.00	1978
540	2,103,913.90	125.00	319,587.32	562,734.24	0.00	0.00	1,221,342.34	

DEPARTMENT OF EMPLOYMENT SERVICES
OFFICE OF DISABILITY COMPENSATION
SUMMARY OF ALLOWANCE FOR DOUBTFUL ACCOUNTS
AND ACCOUNT WAIVED AGAINST THE ALLOWANCE ACCOUNTS
AS OF SEPTEMBER 30, 1997

NO. OF ACCOUNTS	OVER- PAYMENT	PENALTY	REPAYMENT	OFFSET	WAIVER	WRITE-OFF	BALANCE	YEAR
1	6,327.96	0.00	4,390.96	150.00	0.00	0.00	1,787.00	1978
1	14,129.38	0.00	1,800.00	11,502.19	0.00	0.00	827.19	1981
3	1,622.53	0.00	40.27	0.00	0.00	0.00	1,582.26	1982
7	14,670.53	0.00	4,040.88	428.89	0.00	0.00	10,200.76	1983
16	64,706.40	0.00	12,044.18	21,838.07	0.00	0.00	30,824.15	1984
23	67,611.08	0.00	14,166.53	4,999.64	0.00	0.00	48,444.91	1985
13	77,107.62	0.00	10,000.00	7,746.00	0.00	0.00	59,361.62	1986
17	61,255.56	0.00	11,507.96	11,998.42	0.00	0.00	37,749.18	1987
24	178,320.56	0.00	24,310.26	5,655.43	0.00	0.00	148,354.87	1988
24	40,753.76	0.00	1,606.50	729.44	0.00	0.00	38,417.82	1989
16	38,615.33	0.00	10,174.12	300.00	0.00	0.00	28,141.21	1990
19	22,978.87	0.00	4,024.65	1,081.88	0.00	0.00	17,872.34	1991
30	137,705.81	0.00	2,973.27	5,668.18	0.00	0.00	129,064.36	1992
11	56,406.71	0.00	1,403.56	3,130.00	0.00	0.00	51,873.15	1993
205	782,212.10	0.00	102,483.14	75,228.14	0.00	0.00	604,500.82	



EXHIBIT C


Government of the District of Columbia

Department of Employment Services

Office of the Director • Employment Security Building • 500 C Street, N.W. • Suite 600 • Washington, D.C. 20001

MEMORANDUM

To: E. Barrett Prettyman, Jr.
Inspector General

From: Gregory P. Irish 
Director

Date: February 25, 1999

Subject: Draft Report, "Audit of the Department of Employment Services
Disability Compensation Overpayments" (OIG No. 9812-20)

Following are agency comments on the findings and recommendations made in the subject draft report.

The Department of Employment Services had taken the opportunity, beginning in 1997 to contract for a major portion of the Disability Compensation Program's services through a managed care organization and a third party administrator. Please be advised that several of the findings and recommendations made in the report must be responded to in concert with the requirements that each of the organizations may have in their contracts. Currently, under the direction of the Office of Contracts and Procurement, the Department is in the process of finalizing the terms to exercise the first option of the third party administrator's contract. Consequently, the Department may be less than precise in predicting when some of the agreed upon actions will occur.

DOES Overpaid Approximately \$2.1 Million in Disability Claims

The draft report gives the impression that all overpayments reflect dual compensation or payments at incorrect rates, and the recommendations are based on these findings. In fact there are a number of other reasons for overpayments, including later reversal of a preliminary compensation award, detection of overage dependents, and failure to deduct health benefits. Nonetheless, the agency concurs with all recommendations except numbers 4 and 6.



"Helping People Help Themselves"

- 1. Implement edit controls to detect dual disability and payroll payments to disabled employees who return to work;**

We concur with the finding. DOES has already initiated a return to work initiative that will address a portion of this issue. Meetings with the Department of Personnel will be scheduled by March 15, 1999, to coordinate the exchange of information on employees who have returned to work.

- 2. Immediately implement procedures in conjunction with OPM that will prevent the occurrence of dual disability payments by DOES and OPM to employees who are entitled to receive disability benefits from either agency.**

We concur with the finding. In the past, OPM has been minimally responsive to overtures to coordinate information. Meetings with OPM will be attempted to be scheduled by March 15, 1999 to address procedures.

- 3. Immediately implement procedures to notify the Office of Pay and Retirement that an employee is receiving disability compensation benefits in order to halt the distribution of time and attendance sheets for the employee.**

We concur with the finding. Meetings with the Office of Pay and Retirement will be scheduled by March 15, 1999 to address procedures.

- 4. Immediately implement procedures, with the start-up of the comprehensive Automated Personnel Payroll System (CAPPS), to integrate the DCF payroll with the Pay and Retirement payroll.**

At this time it is not known whether the soon to be implemented Comprehensive Automated Personnel and Payroll System will be able to accommodate the disability compensation payroll.

- 5. Implement procedures to ensure that program personnel exercise due professional care in obtaining all relevant information for computing claimants' benefits before requesting the computation of benefits from the Fiscal division.**

Procedures that require that the appropriate personnel exercise due professional care are in place and are being reviewed currently. The third party administrator, as well as program staff, have recently had discussions with the fiscal department to assure that those procedures are revised.

- 6. Require program personnel to communicate with claimants once a week and document the communication.**

Weekly communication with approximately 900 claimants would be burdensome and not efficient, if possible to do at all. Enhanced oversight can be effectively accomplished through quarterly or, if necessary, monthly communication.

Discussions in regards to an appropriate procedure will be initiated by March 15, 1999, with the third party administrator and program staff.

No Concerted Effort to Collect Disability Compensation Overpayments

Weaknesses in the disability compensation statutes in the past contributed to the agency's inability to effectively recover overpayments. The recently enacted 1998 amendments will enhance the collection effort.

The draft report indicates that the agency's Fiscal Division is responsible for collecting disability compensation program overpayments. However, the agency Chief Financial Officer (CFO) notes that: (1) the cited internal procedures were never formally enacted at the agency level; and (2) assumption of such responsibility violates an accounting requirement that duties and responsibilities be adequately separated. In other words, the CFO should not be establishing overpayments (accounts receivable), collecting repayments, and reporting the results.

It is the CFO's position that the Fiscal Division should maintain the accounts receivable ledger and record collections, but that disability compensation program personnel should be responsible for identifying overpayments and undertaking collection activities.

At present, the identification of overpayments, third party liens and the District's subrogation rights in disability cases are in discussion between DOES, the third party administrator and the Office of Corporation Counsel. The Corporation Counsel's office was requested to provide an opinion, in January 1999, as to whether it will retain the authority to pursue collections and other recovery issues. As noted above, the pre 1998 law was poorly written and was a hindrance to organized collection activity.

The agency concurs with the draft report's recommendations however, and is working to resolve the issue of responsibility for collections.

1. Existing internal DOES procedures regarding notification to claimant of overpayments are followed as prescribed.

Upon the conclusion of the discussion as referenced above, appropriate procedures will be applied. It is very possible that the current procedures will need to be revised.

2. Existing internal DOES procedures regarding follow-up notifications to claimants are employed when initial notification fails.

Upon the conclusion of the discussion as referenced above, appropriate procedures will be applied. It is very possible that the current procedures will need to be revised.

3. **Debt-offset procedures are immediately employed when an employee returns to work and fails to make payment on the receivable.**

Upon the conclusion of the discussion as referenced above, appropriate procedures will be applied. It is very possible that the current procedures will need to be revised.

4. **Resources and efforts commensurate with overpayments are dedicated to collection efforts.**

Upon the conclusion of the discussion as referenced above, appropriate procedures will be applied. It is very possible that the current procedures will need to be revised.

5. **Employees who knowingly accept dual payments for a prolonged period are referred to the Office of the Corporation Counsel for possible legal action.**

The Department is working with the Office of Corporation Counsel to create a specific fraud provision for the Disability Compensation Law to be prosecuted by the Corporation Counsel. Procedures for taking legal action against employees who knowingly accept dual payments is will be included in the fraud provision. We were not able to get a confirmed date as to when the drafting of the provision will be completed.

Failure to Maintain Adequate and Required Accounts Receivable Records

The agency CFO concurs with the draft report's findings and recommendations. A cash receipts journal was developed last month. The control ledger is currently under review to ensure accuracy of receivable balances. Due to an early out retirement and a vacancy in a key senior management position, the review is scheduled for completion by May 1, 1999.

Failure to Comply With Policies for Writing Off Uncollectible Receivables

As previously indicated, the agency CFO maintains that collection activity, including the write-off of uncollectible accounts is properly a program responsibility. The Fiscal Division should maintain the accounts receivable ledger and may assist in the determination of write-offs by aging the receivables, but should not be simultaneously maintaining the records, collecting repayments, and writing-off accounts. Further, the CFO maintains that the write-off procedures cited in the draft report were never formally issued or adopted and that he lacks legal authority to forgive debts owed to the agency.

The Director believes that the existing write off procedures should be formally issued. The Director will delegate the Director's write off authority to the Fiscal Division if such is necessary. The question of active pursuit of accounts will be resolved as noted above and it is not contemplated that the CFO/Fiscal division need to be as proactive as it was

in the past due to the law changes made by the 1998 amendments. Nevertheless, the CFO/Fiscal Division will need to maintain an active role due to its control of the financial side of the Disability program.

Again, the agency is working to resolve this matter.

Additional Comments

In the first paragraph of the Background section of the draft report, the budget of \$18.4 million for FY 1998 is misstated; the \$18.4 million actually represents the compensation budget, not the entire DCF budget. Also, the following paragraph from page 8 of the draft report is misleading and needs clarification. "DOES staff informed us that no accounts had actually been written off. If there was no payment activity in an account for several years, the account folder was placed in an 'inactive bin.' However, by DOES keeping these receivables on the books, it is maintaining assets on its records that have no value." The receivables reported in the District's financial statements are net of the allowance for uncollectible accounts. The remaining receivables are thus considered fully collectible at their stated value.

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